



Sandia National Laboratories

Sandia

Termination Pay Plan/Summary Plan

Effective October 1, 2010

Summary Plan Description

Important

This Summary Plan Description (including documents incorporated by reference) applies to all non-represented employees, effective October 1, 2010.

The Sandia Termination Pay Plan /Summary Plan is maintained at the discretion of Sandia and is not intended to create contract of benefit. Sandia reserves the right to amend (in writing) the Sandia Termination Pay Plan at any time without notice, subject to Federal or State requirements.

The Sandia Termination Pay Plan cannot be modified by written or oral statements to you from Human Resource Representatives or other personnel.

Sandia National Laboratories is a multi-program laboratory managed and operated by Sandia Corporation, a wholly owned subsidiary of Lockheed Martin Corporation, for the U.S. Department of Energy's National Nuclear Security Administration under contract DE-AC04-94AL85000.

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SANDIA CORPORATION
TERMINATION PAY PLAN/SUMMARY PLAN DESCRIPTION
(Effective for terminations occurring on or after October 1, 2010)

1. Purpose. The purpose of this Sandia Corporation, which operates Sandia National Laboratories ("Sandia"), Termination Pay Plan ("Plan") is to provide guidelines Sandia may use to provide separation pay to certain Sandia employees whose active employment terminates by reason of lay off, lack of suitable work, reduction in staff, or expiration or termination of Sandia's contract(s). The Plan is to be interpreted consistently with Sandia's Corporate Procedures including HR100.4.3 (Essential Functions/Realignment Process), HR 100.6.2 (Termination Pay), and HR 100.1.7 (Workforce Realignment), which can be found in the Sandia Corporate Policy System.

2. General Eligibility. Each Sandia employee will be eligible for separation pay if his or her active employment is terminated by reason of lay off, lack of suitable work, reduction in staff, or expiration or termination of Sandia's contract(s) for which separation pay is authorized by Sandia, unless he or she is a member of a class of employees excluded from eligibility by Sandia, or is excluded under one of the specific exclusions set forth in paragraph 3, below. A Sandia employee does not include (and has not at any time included) any individual during any period he or she is not classified as a common-law employee of Sandia, without regard to whether such an individual subsequently is determined to have been a common-law employee of Sandia during such period. Eligibility of represented employees for Separation Pay is determined in accordance with the terms of the appropriate Collective Bargaining Agreement.

3. Eligibility Exclusions. The following employees are not eligible for separation pay under the Plan:

(a) An employee who continues employment with Sandia, or is offered and declines a transfer to a comparable position (e.g., a realignment opportunity within the meaning of HR 100.1.7 and HR 100.4.3) with Sandia;

(b) An employee who either is employed by, or is offered employment at comparable (as determined by the Administrator) pay and benefits with any employer (e.g., a successor contractor) that acquires all or any portion of the assets or operations of Sandia or Sandia National Laboratories;

(c) An employee who resigns before receiving a layoff or termination notice;

(d) An employee who dies;

(e) An employee who voluntarily terminates employment, unless (i) the employee already had received formal notice of a qualifying involuntary termination and (ii) Sandia determines that earlier voluntary termination is in the best interest of Sandia;

(f) An employee who is discharged for cause (as determined by Sandia), whether or not the employee already had received notice of a qualifying termination;

(g) An employee or class of employee for whom, by reason of the nature of the termination or otherwise, Sandia determines, in Sandia's sole discretion, that separation pay would be inappropriate or contrary to the best interest of Sandia; and

(h) Employees who have waived separation pay.

4. Form and Amount of Separation Pay.

(a) **Non-Represented Eligible Employee.**

(i) **Basic Severance Benefit.** Each eligible employee will be paid a cash lump sum equal to two weeks Base Rate Salary (less applicable deductions and withholding) , as soon as administratively practicable after (and no later than 70 days after) his or her Employment Termination Date.

(ii) **Supplemental Severance Benefit.** In addition to the Basic Severance Benefit described above, each eligible employee who timely signs (and does not revoke) a Release will be paid a cash lump sum equal to one weeks Base Rate Salary for each full Year of Completed Service, up to a total of twenty-four (24) weeks (less applicable deductions and withholding). The Release must be signed within 45 days of the eligible employee's Employment Termination Date. The eligible employee will be paid no earlier than 8 days after Sandia receives the signed Release and within 30 days of the date that Sandia receives the signed Release; provided, however, that if the eligible employee revokes the signed Release within the seven-day revocation period following the date Sandia receives the signed Release, no Supplemental Severance Benefit will be paid.

(b) **Represented Eligible Employee.** The form and amount of Separation Pay for a represented eligible employee is determined in accordance with the terms of the appropriate Collective Bargaining Agreement.

(c) **Definitions.** For purposes of this Section 4, the following definitions apply:

Base Rate Salary means employee's hourly, weekly, or annual rate of pay for the standard weekly work schedule excluding any allowances, differentials and incremental payments (ie. nonbase, premium pay, other discretionary awards).

Release means a document prepared by Sandia that generally releases all of an eligible employee's claims against Sandia, Lockheed Martin Corporation, United States Department of Energy, National Nuclear Security Administration, and any of their divisions, affiliates, subsidiaries, benefit plans, related companies, partnerships, and joint ventures; and with respect to each such entity, all past, present and future employees, partners, fiduciaries, directors, officers, shareholders, representatives, agents, attorneys, assigns, insurers, whether acting in their individual or official capacities, and any other persons acting by, through, under, or in concert with any of the persons or entities listed

in this paragraph; and with respect to each entity and individual, all predecessors, successors and assigns.

Separation Pay means, with respect to an eligible employee, the applicable severance benefit described in paragraph (a) or (b) above.

Year of Completed Service means Plan Service within the meaning of the Sandia Corporation Retirement Income Plan ("RIP") that would be credited to the eligible employee under RIP. This definition is used even if the employee does not actually participate in RIP. Partial years of Plan Service shall not be counted.

(d) **Guidelines.** Separation pay under the Plan for a non-represented Sandia employee shall not exceed the applicable guideline amount outlined in Section 4(a) or 4(b), above. Sandia may, however, as Sandia deems appropriate, authorize separation pay of an amount less than the guideline amount. In certain circumstances affecting a class of Sandia employees, such as a corporate transaction, or a shutdown or relocation of an operating unit, or direction from the United States Department of Energy, National Nuclear Security Agency or other federal agency, Sandia may, in Sandia's sole discretion, waive or modify the eligibility requirements for separation pay or modify the method of calculating separation pay. Pay in lieu of Notice may be provided as outlined in HR 100.6.2.

(e) **Code Section 409A.** This Plan is to be administered and interpreted to the maximum extent possible as a plan that is exempt from Internal Revenue Code ("Code") Section 409A. This means, for example, that the Plan is to be administered and interpreted to maximize the following exceptions to the definition of deferred compensation found in the regulations interpreting Code Section 409A: (i) short term deferral rule, (ii) collectively bargained separation pay plan exception, and (iii) exception for separation pay that does not exceed two times the lesser of the eligible employee's annual rate of pay or the relevant limit contained in Code Section 401(a)(17).

5. Reemployment. Separation pay made to an employee shall not include payment for any period of service for which the employee has previously received such payment. Should an individual who has received separation pay be rehired by Sandia or a successor company operating Sandia National Laboratories, before the expiration of the number of weeks for which the employee has received separation pay, the amount of the balance shall be repaid to Sandia.

6. Nature of Benefits. Benefits under the Plan will be paid when due. Nothing in the Plan shall be deemed to create a trust relationship or grant to any employee any right against Sandia or its assets that is greater than the right of a general creditor.

7. Claims Procedure. The Claims Procedure is attached as Appendix A.

8. Administration. The Employee Benefits Committee is the Administrator, with full discretionary authority to administer and interpret the Plan, including discretionary authority to determine eligibility for participation and for benefits under the Plan, to correct errors to the extent practicable, and to construe ambiguous terms. Sandia may delegate such duties and responsibilities as it deems appropriate to facilitate day-to-day administration of the Plan and, unless the Administrator provides otherwise, such

delegation will carry with it the full discretionary authority to accomplish the delegation. Determinations by the Administrator or its delegate(s) will be final and conclusive upon all persons. Sandia's address is P.O. Box 5800, MS 1463, Albuquerque, NM 87185. Sandia's Employer Identification Number is 85-0097942. Sandia's telephone number is 505-844-3197.

9. Indemnification. Sandia will indemnify and hold harmless Sandia's Directors and employees, from and against any and all liabilities, claims, costs and expenses, including attorneys' fees, arising out of an alleged breach in the performance of their fiduciary duties under the Plan and under ERISA, other than such liabilities, claims, costs and expenses as may result from the gross negligence or willful misconduct of such persons, or such liabilities, claims, costs and expenses that are the responsibility of the United States Department of Energy, National Nuclear Security Administration or other federal agency. Sandia has the right, but not the obligation, to conduct the defense of such person in any proceeding to which this Section applies.

10. Amendment and Termination. Sandia, by written action of Sandia's President or Laboratories Director or the United States Department of Energy, National Nuclear Security Agency or other federal agency reserves the right, in its sole discretion, to amend or terminate the Plan at any time, with or without prior notice.

11. Rights. Nothing contained in the Plan shall be construed to provide any employee with any right to continue employment with Sandia, or to affect the right of Sandia to terminate the employment of any employee with or without cause. Nothing in the Plan shall be construed to provide any employee with a vested right to benefits under the Plan. ERISA Rights are outlined in the attached Appendix B.

12. Plan Year and Plan Number. The Plan Year is the calendar year. The ERISA Plan number is 535.

13. Governing Law. The Plan shall be construed, interpreted, and administered consistently with the Employee Retirement Income Security Act of 1974, as amended, and with the laws of the State of New Mexico (without regard to New Mexico's choice of law provisions) to the extent not superseded by federal law.

APPENDIX A – Claims Procedure/Sandia Corporation Termination Pay Plan

A Sandia employee who has questions or concerns about Plan benefits is encouraged to communicate with the Benefits Manager regarding those questions or concerns. If the Sandia employee (“Claimant”) is not satisfied with this communication, the Claimant may make a formal claim for benefits in accordance with the procedures outlined below. ***A Claimant may not make a formal claim more than three hundred sixty-five (365) days after the date the Claimant has knowledge of all material facts that are the subject of the claim.***

A formal claim must be filed, in writing, with the Administrator at P.O. Box 5800, MS 1463, Albuquerque, NM 87185. The Administrator will give the Claimant written notice of the disposition of a claim within 90 days after the claim has been filed, unless special circumstances require an extension of time for processing, in which case the notice of disposition will be given within 45 days after the application has been filed. The Claimant may voluntarily agree to provide the Administrator additional time within which to make a decision on a claim.

If a claim is denied in whole or in part, the Administrator will give the Claimant written notification that will include:

- The specific reason for the denial;
- Specific references to pertinent Plan provisions on which the denial is based;
- A description of any additional material or information that needs to be submitted with an explanation of why the material or information is necessary;
- An offer to provide the Claimant, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to the claim; and
- A description of the Plan’s review procedures and the time limits applicable to the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review.

If the Claimant wants to appeal a denied claim, the Claimant must submit an appeal in writing to the Administrator at P.O. Box 5800, MS 1463, Albuquerque, NM 87185. The deadline for submitting such an appeal will be 60 days after the Claimant receives written notification of the denial of the claim, as described above. Within 60 days following receipt of the appeal, the Administrator will give the Claimant either (i) a written notice of its decision, or (ii) if special circumstances require an extension of time for review, a notice of a 60-day extension of the review period. The review of the Administrator will take into account all comments, documents, records, and other information the Claimant submits, without regard to whether that information was submitted or considered in the initial benefit determination. The Claimant may voluntarily agree to provide the Administrator additional time within which to make a decision on a claim.

If the appeal is denied, the notification will:

- explain the specific reasons and specific Plan provisions on which the decision is based;
- include a statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain information about these procedures;
- include a statement regarding the Claimant's right to bring a civil action under ERISA 502(a), and
- offer to provide the Claimant, on request, free of charge, reasonable access to and copies of all documents, records and other information relevant to your claim for benefits.

A claim or appeal may be filed by an authorized representative on behalf of a Claimant. The decision by the Administrator will be the final and conclusive administrative review proceeding under the Plan. The Claimant is required to pursue all administrative appeals described above as a precondition to challenging the denial of the claim in a lawsuit. ***The Claimant may not submit a dispute to a court with respect to a denied claim under this Plan more than three hundred sixty-five (365) days after the date the Administrator renders its final decision upon appeal.***

APPENDIX B – ERISA Rights

As a Plan participant you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants are entitled to:

- Examine without charge, at the Administrator's office and in other specified locations such as worksites and union halls, all documents governing the Plan, including relevant collective bargaining agreements, a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- Obtain, upon written request to the Administrator, copies of documents governing the operation of the Plan, including relevant collective bargaining agreements, copies of the latest annual report (Form 5500 Series) and updated summary plan descriptions. The Administrator may make a reasonable charge for the copies.
- In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called fiduciaries of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants. No one, including your employer, or any other person, may fire you to prevent you from obtaining a Plan benefit or exercising your rights under ERISA, nor can you be discriminated against for these reasons.
- If your claim for a Plan benefit is denied or ignored, in whole or part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.
- Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator.
- If you have a claim for benefits which is denied or ignored in whole or part, you may file suit in a state or federal court after exhausting the Plan's Claims Procedure.
- If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a federal court. In any legal action, the court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees if, for example, it finds your claim is frivolous.

- If you have any questions about the Plan you should contact the Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Administrator, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

The Plan's agent for service of legal process is Corporation Service Company ("CSC") whose main address is 2711 Centerville Road, Suite 400, Wilmington, DE 19808; local addresses: 125 Lincoln Ave, Suite 223, Santa Fe, NM 87501, (505) 989-7500; 2730 Gateway Oaks Dr. #100, Sacramento, CA 95833, (916) 641-5100.